

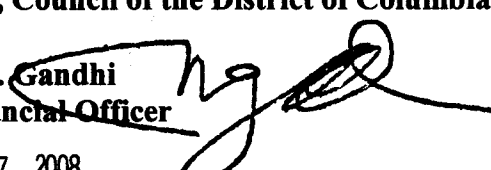
**Government of the District of Columbia  
Office of the Chief Financial Officer**



**Natwar M. Gandhi**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Vincent C. Gray  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi   
Chief Financial Officer

**DATE:** OCT 17 2008

**SUBJECT:** Fiscal Impact Statement: "The Pew Charitable Trusts Real Property Tax Exemption Act of 2008"

**REFERENCE:** Draft – No Bill Number Available

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**Conclusion**

Funds are not sufficient in the proposed FY 2009 through FY 2012 budget and financial plan to implement the proposed legislation. The legislation would result in a fiscal impact of up to approximately \$1.03 million in FY 2009 with a total impact of up to approximately \$5.58 million during the FY 2009 through FY 2012 period.

**Background**

Non-profit organizations designated as 501(c)(3) entities by the federal government are exempt from paying federal taxes. According to DC Official Code Section 47-1002(17), certain non-profit organizations qualify for a real property tax exemption if the organization's activities have a primary focus on the District; however, 501(c)(3) entities that have a broader or national focus are not exempt from paying real property taxes.

The proposed legislation would exempt the portion of the real property in Lot 40, Square 377 that is leased to tenants who are 501(c)(3) entities. The exemption would remain in place for 10 years as long as:

1. The Pew Charitable Trusts owns the property;

2. The Pew Charitable Trusts leases portions of the property to 501(c)(3) tenants at below-market rates;
3. The tenants use the leased property for exempt purposes; and
4. The Pew Charitable Trusts files a report with the District.

The Pew Charitable Trusts purchased a 265,000 square foot building in Lot 40, Square 377 in February 2008. According to the Office of the Deputy Mayor for Planning and Economic Development, the Pew Charitable Trusts plans to lease 125,000 square feet to non-profit tenants. The entire property is currently included in the District's tax assessment rolls, with a 2009 proposed assessment of approximately \$118 million. The proposed legislation would exempt the portion of the building leased by the Pew Charitable Trust to 501(c)(3) tenants.

Because the OCFO does not yet have information regarding the specific tenants that will lease space in the building, we cannot quantify the exact amount of the fiscal impact. The assumption in this impact statement is that the full 125,000 square feet would be leased to exempt-eligible non-profits. Thus, based on this assumption, the legislation would cause a fiscal impact of up to approximately \$1.03 million in FY 2009, which represents the real property taxes expected from the portion of the building that will be neither occupied by Pew Charitable Trusts nor the retail tenant, with a total impact of up to approximately \$5.58 million during the financial plan period.

#### **Financial Plan Impact**

Funds are not sufficient in the proposed FY 2009 through FY 2012 budget and financial plan to implement the proposed legislation. The legislation would result in a fiscal impact of up to approximately \$1.03 million in FY 2009 with a total impact of up to approximately \$5.58 million during the FY 2009 through FY 2012 period.

<b>Summary Table</b>					
<b>Estimated Impacts to the Financial Plan of the</b>					
<b>Pew Charitable Trusts Real Property Tax Exemption Act of 2008</b>					
<b>(\$ in millions)</b>					
<b>Item</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>4 - Year Total</b>
Reduced Revenue	(\$1.03)	(\$1.24)	(\$1.50)	(\$1.81)	<b>(\$5.58)</b>